Managed Risk Medical Insurance Board (MRMIB) Healthy Families Buy-In Update

California Children's Services (CCS) Analysis/ Reinsurance Option

Background

Chapter 80, Statutes of 2005 (AB 131) authorized MRMIB to assess the feasibility and to establish a County Buy-In Program to assist in the development of local Children's Health Initiatives (CHI), also known as local Healthy Kids Programs (HK). Beginning in July 2005 staff developed an issue paper on program design issues related to the buy-in program, conducted a public meeting on August 25, 2005 and solicited written public feedback with a September 6, 2005 deadline. On September 28, 2005 staff presented its recommendations on the program design for the Buy-In Program to the Board. The Board directed staff to proceed with the program development.

A critical outstanding issue raised by two Healthy Families Program (HFP) health plans concerns CCS coverage for higher income HK subscribers who are not financially eligible for CCS coverage. Under the existing HFP higher income children are statutorily deemed income eligible for CCS coverage but for the local county HK programs there is no such statutory income deeming. Therefore, either the county or health plan assumes that potential risk. To-date the existing 22 HK programs' health plans have been willing to assume that potential risk (All are either County Organized Health Systems (COHS) or Local Initiatives (LI) except for one commercial health plan, Health Net). Based on feedback from the existing HK programs, approximately 99% of HK subscribers have income within the CCS income eligibility requirements and to-date we have not found a single case in which the HK program or the HK health plan was responsible for paying the CCS condition treatment costs. The existence of the local HK programs date back January 2001 when Santa Clara County launch the first program and has grown to 22 county programs over the past five years.

The two HFP plans are concerned about potential liability for CCS condition risks and they are central to MRMIB's ability to develop a Buy-In Program in the rural counties, which represent most of the eleven counties that have expressed interest in participating in the program. Similarly, the interested counties have also expressed an unwillingness to be responsible for the risk and would not be interested in participating if that was a requirement.

Unless this critical issue of the element of CCS risk is resolved, MRMIB may not be able to implement the HFP County Buy-In Program. Given that there is little information available on the CCS risk issue MRMIB partnered with Department of Health Services (DHS), The California Endowment (TCE) and PriceWaterhouseCoopers (PWC) to assess and estimate the costs for coverage of CCS conditions for higher income subscribers in HK programs.

Risk Assessment

Beginning in October 2005, MRMIB convened a work group including, TCE and PWC to develop the approach for conducting the CCS risk assessment. The concept included comparing actual experiences of both HFP and HK subscribers that were enrolled in CCS coverage. Three HFP plans and two HK plans (that are also HFP plans) were identified and MRMIB requested that they provided specific subscriber information for a two year period (FYs 2003/04 and 2004/05) in November 2005. MRMIB worked with the five plans over the next two months on specific data requirements, HIPAA confidentiality logistics and data file formats. We were only able to get data from four of the five plans (2-HFP and 2-HK) and those files were received in late January.

The consolidated data file was provided to the DHS to match against the Medi-Cal and CCS claims system in February 2006 and the results were very poor. In both years the match rate was less than 10% of the consolidated file total number of subscribers. MRMIB worked with DHS to match against the CCS eligibility database to attempt to verify the CCS enrollment of the subscribers contained on the data file and identify the client index number (CIN) for each subscriber (State's unique identifier). Through this process a few causes for the poor match rate, 1) HK programs do not assign CIN since they are not linked to the statewide system and therefore we were not able to track any of the HK against any of the state claims databases and 2) that the plans had provided the state with its CCS referral group not just those that were actually enrolled in CCS.

MRMIB continued efforts with the work group, DHS and the remaining HFP plans to see if we could establish a reliable data set to conduct the risk assessment. However, in those continuing efforts from March through July 2006 additional discrepancies in the remaining HFP data set were identified and were not consistent with the annual HFP CCS Report. MRMIB was forced to determine that we had an unreliable data set and that any assessment made on that data would not be conclusive.

Reinsurance Option

MRMIB has explored why some plans in the existing HK programs were willing to accept the potential risk for higher income children but some would not. The vast majority of the existing local HK programs contract with the local Medi-Cal plan in their county which is either COHS or LIs. There is only one commercial plan statewide that has contracted as a health plan for the local HK programs and been willing to accept the risk.

The COHS and LI have traditionally taken care of these low-income uninsured populations and the majority of them use the reinsurance option to limit potential liability for both hospital and provider claims for all their product lines over certain dollar thresholds. Reinsurance is when an insurance company purchases additional insurance coverage from another insurance company as a stop loss mechanism to prevent any potential losses over a designated dollar amount. Our understanding is that traditionally, larger commercial health plans do not use the reinsurance option because of the associated cost of purchasing reinsurance coverage and that they have sufficient cash assets to cover high cost claims themselves.

MRMIB staff has been surveying the COHS and LI that are providing health coverage for the existing HK programs to get a specific understanding of how they reinsure themselves and what are the dollar thresholds at which the reinsure becomes effective for hospital and provider claims including how much that costs on a per member per month basis. Based on COHS/LI survey, the hospital dollar threshold ranges from $50,000 through $300,000 per subscriber annually ($50,000, $55,000, $75,000, $100,000, $125,000, $250,000 and $300,000) and the provider dollar threshold ranges from$10,000 through $15,000 per subscriber annually. The reinsurance coverage begins when a subscriber reaches the dollar threshold amount and usually pays 90% of incurred claims costs up to a maximum amount annually ($1,000,000 and $2,000,000 annual maximum per subscriber). We have also identified which brokers and reinsurance companies they are using for their reinsurance coverage and have begun initial discussions on the reinsurance option.

Next Steps

1. MRMIB staff will continue its discussions with the reinsurance companies and brokers to provide them the necessary understanding of the small potential CCS risk population, reviewing various dollar thresholds (or deductibles) for hospital and provider claims, and establishing the best potential mechanism for reinsuring the Buy-In Program.
2. Once the best mechanism has been established, staff will begin to solicit cost quotations from the various reinsurance companies for reinsuring the Buy-In Program
3. MRMIB staff will meet with the HFP plans that previously indicated an unwillingness to participate in the Buy-In Program due to the CCS issue and discuss the potential reinsurance option including whether that option would allay their concerns about the CCS issue.